



February 7, 2013

Via Electronic Filing

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of *Ex Parte* Presentation In the Matter of Connect America Fund WC Docket No. 10-90; A National Broadband Plan for Our Future GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135; High-Cost Universal Service Support WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92; Federal-State Joint Board on Universal Service CC Docket No. 96-45; Lifeline and Link-Up WC Docket No. 03-109; Universal Service Reform – Mobility Fund WT Docket No. 10-208; TDM-to-IP Transition GN Docket No. 12-353

Dear Ms. Dortch:

The undersigned, on behalf of Home Telecom and the Rural Broadband Alliance (“RBA”), and Ben Spearman, Vice President Regulatory Policy, PBT Telecom, Inc. d/b/a Comporium Midlands, met with Priscilla Delgado Argeris, Legal Advisor to Commissioner Rosenworcel, on February 5, 2013. We expressed the appreciation of the RBA members for the recent efforts of Commissioner Rosenworcel and her staff to modify the implementation of the regression analysis implemented by the Wireline Competition Bureau pursuant to the *USF/ICC Transformation Order*. We understand that Commissioner Rosenworcel has announced that the Commission has adopted an order that will combine the two separate capital and operating expense benchmarks into one benchmark to simplify the regression analysis and provide carriers with flexibility to meet the new limits.

In our discussion, we explained that while this was a significant first step, much work remains to be done to achieve Commissioner Rosenworcel’s objective to simplify the rules in a manner that is both fiscally sound and good for rural consumers while also providing incentives to investment. While the consolidation of the benchmarks into a single factor provides carriers with more flexibility in planning to meet limits on support for future capital and operating expenses, this modification of the regression analysis limitations does not address the concerns and adverse impact that results from the application of the regression analysis support limitations on the recovery of lawfully incurred investments that were made prior to the adoption of the regression analysis.

As a result of the revision to a consolidated benchmark, some companies that would have suffered a limitation and reduction of support for their lawful past investments because of the application of the separate benchmarks will benefit from the consolidation of the benchmarks. Even with the consolidation of the benchmarks, however, the regression analysis will continue to deprive many carriers of the opportunity to recover lawful capital and operating expenses incurred by rural carrier in order to provide universal service. We noted that Comporium Midlands is among the companies that will suffer this adverse and unnecessary impact.

In addition, the adopted revision of the regression analysis does not address the critical financial problems that have resulted from other aspects of the *Transformation Order* that have been implemented in a manner that jeopardizes recovery of reasonable, lawful, used and useful expenses incurred by rural carriers in their provision of universal service. Moreover, even as modified, the regression analysis does not ensure that support for new infrastructure investment is directed to unserved and under-served areas. As a result, the regression analysis could potentially distribute additional funding into areas that already have built out while depriving other high cost to serve areas of the universal service support needed to deploy infrastructure to meet the Commission's broadband capability requirements.

We urged that Commissioner Rosenworcel and her staff and fellow Commissioners consider additional modifications to the implementation of the *Transformation Order* to rectify these concerns. We noted that the Commission could utilize the RBA's proposed "Transitional Stability Plan" which set forth a specific and detailed approach to manage a transition in the universal service mechanisms. The Commission can adopt this proposal within the framework of the *Transformation Order* to address these issues and to ensure that universal service support is directed to areas where it is needed.

We concluded our meeting with a brief discussion of the pending petitions regarding the transition of TDM to IP. We pointed out that an unfunded mandatory requirement for IP capability is a critical issue and concern for RBA members and all rural carriers. Concerns associated with increased costs and the absence of a reasonable opportunity to recover those costs are exacerbated by proposals to require rural carriers to take financial responsibility for the transport of IP traffic to interconnection points that are far distant from the local service networks they have deployed to provide universal service.

I am filing this letter electronically with your office for inclusion in the record of each of the above-referenced proceedings pursuant to the Commission's Rules. If you have any questions, please do not hesitate to contact me at 843-761-9100.

Sincerely,
s/ H. Keith Oliver
Sr. VP Corporate Operations
Home Telecom, Inc

cc: Priscilla Delgado Argeris